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A WORD TO THE BUSY FSA SUPERVISOR

(A suggested statement to be included in the County Supervisor's Year-End Activity Folder)

This folder is prepared for your convenience. It contains or makes cross references to information and suggestions which you will need for the expeditious handling of the various jobs involved in closing out the old year and starting the new year for FO borrowers. These jobs are:

1. The annual checkout, which breaks down into:
 - a. Getting borrowers ready for the checkout
 - b. Checking and summarizing old record book, determining gain or loss in net worth, and entering inventories in new record book
 - c. Completing Annual Income Return and analyzing the year's business with the borrower
 - d. Making final collections and transmitting amounts due
 - e. Completing farm and home plans for new year, estimating dates and amounts of income and establishing collection goals
2. The annual business and educational meeting of borrowers which involves:
 - a. Preparing educational material from summaries of record books and annual income returns for use at annual meetings
 - b. Arranging for and conducting the meetings
3. Review of borrower's progress by county committees and the classification of borrowers who are not making satisfactory progress for the purpose of better servicing them

You are carrying a heavy responsibility and are obliged to eliminate every unnecessary step. You may have some misgivings about the justification for going through with these "year-end" tasks with FO borrowers. If you do have such misgivings, you can safely dismiss them. The "year-end" tasks are planned and calendared to reduce the time and effort devoted to supervising FO borrowers to an irreducible minimum during any one year.

Obviously, we should not completely break the supervisory contact with these borrowers to whom the Government has made 100 per cent loans for the purchase of farms. It is important, therefore, that we systematically plan the work that must be done with them--concentrate on it at the right time and complete it. That is precisely what we are aiming at. We hope that the bulk of the successful TP borrowers who have been in the program for four or five years will require little or no supervision other than that involved in the annual checkout and annual meeting. Viewed in that light and with that purpose in mind, these tasks are necessary, essential and indispensable. They should be done well. The material in this folder will help you do the job well.

KEEP THIS FOLDER IN YOUR FILES AS A TEXT BOOK FOR FUTURE REFERENCE. DO NOT DESTROY IT!

(Revised 9-22-45)

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ANNUAL CHECKOUT

The annual checkout is one of the most important features of borrower supervision. At the close of the year's business the record books must be summarized, debt payments determined, the new record books started and farm and home plans prepared. All this is embodied in the checkout process. It is important, therefore that we start early to make definite preparation to close out the old year and start the new year.

The checkout job may be broken down into five major categories:

1. Getting Borrowers Ready for the Checkout. Borrowers should be encouraged to get ready for the checkout by completing all preliminary steps before meeting with the FSA supervisor. Unless there is good reason for not doing so, all farm productions representing the year's business should be sold, all family living and farm operating expenses paid, and family living and farm operating debts incurred for the current year's production paid before the record book is closed. They should be taught to complete and summarize their record books and fill in pages two and three of the Annual Income Returns. They also should go just as far as they can in developing their own farm and home plans. The time spent in teaching borrowers to take these preliminary steps will be of lasting benefit to them and it will save the supervisor much time when completing the checkout. The results of training borrowers to take these preliminary steps will be cumulative and they will become more effective as the number of years that the borrowers have been on the program increases.
2. Closing the record books for the current year and starting the new record book. Before summarizing the year's business, the record books should be checked for obvious errors and reasonableness of the entries. The large investments of FO borrowers necessitate that special consideration be given to the accuracy of the inventory statements and the net worth determinations. Were real estate loan funds properly entered? Were expenditures made but not listed? Was all income reported? Were real estate values marked up? These and other similar questions should occur to the county supervisor when he checks the record book. When the record book has been closed, the closing inventory should be transferred to the beginning inventory column in the new record book.
3. Preparing the Annual Income Return. The Annual Income Return is in reality a summary of the farm record book and puts in convenient form an analysis of the year's business. It should be carefully prepared and used as the means of studying the year's business with the borrowers. It will also be used as the basis of the annual review of borrowers by the County Committee. Present procedure provides that when a variable payment borrower and the county supervisor agree on the amount to be paid on the FO loan, that such determination is final. This adds to the responsibility of the county supervisor. It is essential, therefore, that the county supervisor not only master the steps involved in completing the Annual Income Return, but that he exercise sound judgment in analyzing and interpreting it.

4. Collecting and transmitting amounts due. When debt repayments have been determined for both RR and FO debts, prompt collection of unpaid balances is the next job to be done. County supervisors should concentrate on the task in so far as possible. If possible, collection of unpaid balances should be secured at the time that the Annual Income Return is prepared.
5. Preparing farm and home plan, estimating dates and amounts of income, and establishing collection goals. The farm and home plan should be prepared as soon as the Annual Income Return has been completed. At that time the analysis of the previous year's business is fresh on the mind of both the borrower and the supervisor and they are in the best position to make plans for the coming year. Particularly for problem cases, dates and amounts of income should be estimated and collection goals established for the coming year.

To facilitate expeditious handling of the checkout, borrowers should be scheduled to bring their completed record books to the county office either individually or in groups of three or four. Large group meetings have proven an unsatisfactory method for checking record books, transferring inventories, filling out Annual Income Returns, and making farm plans.

When large numbers of borrowers are involved a system of relays should be employed to obtain most efficient use of time and equipment. The county staff should be so organized, and equipment, such as adding machines, calculators and work tables, so arranged that the checking job will be completed as quickly as possible. By scheduling a continuous flow of borrowers to the county office, the county supervisor can do the final checking out of one borrower while several other borrowers may be engaged in summarizing their record books, making inventory entries in next year's books or filling out portions of the Annual Income Return under the supervision of other members of the county staff. Some borrowers who have been in the program for several years may require only an hour to complete their checkout; others will require two or more hours. All borrowers should be given the advantage of individual consultation with members of the county office staff.

To properly perform the special checkout tasks, FSA supervisors must be thoroughly familiar with the following:

1. FO Divisional Letter No. 21, "Rules for Handling Inventory Items in Record Book for FO Borrowers". The revised letter attempts to clear up questions that were not made clear in earlier drafts. It is highly important that there be uniform compliance with these rules.
2. FSA Instruction 658.5, "Preparation of Form FSA 528 Annual Income Return"
3. FSA Instruction 623.1, "Farm and Home Plans"

Copies of the above instructions and forms are attached. Please study them carefully.